

**O'BRIEN HOUSE**  
**(A Nonprofit Corporation)**  
**FINANCIAL STATEMENTS**  
**with Independent Auditors' Report**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/1/10

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# Latuso and Johnson CPA, LLC

11929 Bricksome Ave.  
Baton Rouge, LA 70816  
Tel (225) 293.8300  
Fax (225) 293.8303

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
O'Brien House  
(A Nonprofit Organization)  
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of O'Brien House (A Nonprofit Organization) as of December 31, 2009 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of O'Brien House (A Nonprofit Organization) as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2010, on our consideration of O'Brien House's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of O'Brien House taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Latuso + Johnson CPA*

Baton Rouge, Louisiana  
June 24, 2010

**O'BRIEN HOUSE  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2009**

**ASSETS**

Current assets:

Cash	\$ 78,136
Cash designated by Board	250,000
Receivables	113,903
Due from insurance company	6,442
Prepaid expense	<u>37,987</u>
Total current assets	486,468

Non current assets:

Property and equipment, net of depreciation	1,363,065
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Other assets:

Notes receivable from affiliate, including interest	<u>999,380</u>
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Total assets	<u>\$ 2,848,913</u> ✓
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**LIABILITIES**

Current liabilities

Accounts payable	\$ 198,272
Clients escrow	634
Notes payable	144,691
Accrued expenses	39,647
Current portion of long term debt	<u>17,332</u>
Total current liabilities	400,576

Long term debt, less current maturities	930,110
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**NET ASSETS**

Unrestricted	1,268,227
Unrestricted, but designated	<u>250,000</u>
Total net assets	<u>1,518,227</u>

Total liabilities and net assets	<u>\$ 2,848,913</u> ✓
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*See accompanying notes to financial statements.*

**O'BRIEN HOUSE  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2009**

**REVENUES AND SUPPORT:**

Government contracts	\$ 1,203,321
In kind donations	169,688
United Way allocations	157,841
Program services-rent	136,720
Developer fee	60,431
Special events	46,492
Interest income	38,602
Contributions	25,348
Other	15,623
Other grants	<u>10,000</u>
Total revenues and support	1,864,066

**EXPENSES:**

Program expenses	1,226,632
Management and general expenses	481,720
Fundraising expenses	<u>19,383</u>
Total expenses	<u>1,727,735</u>

**INCREASE IN NET ASSETS**

136,331

Net assets - beginning of year	<u>1,381,896</u>
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Net assets - end of year	\$ <u>1,518,227</u>
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*See accompanying notes to financial statements.*

**O'BRIEN HOUSE  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2009**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in net assets	\$ 136,331
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	58,069
Increase in receivables	(67,468)
Increase in other assets	(9,720)
Decrease in accounts payable	(188,068)
Decrease in other liabilities	<u>(28,850)</u>
 Total adjustments	 <u>(236,037)</u>
 Net cash used by operating activities	 (99,706)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	<u>(104,779)</u>
 Net cash used in investing activities	 (104,779)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Reductions of short-term borrowings-net	(3,096)
Proceeds from long-term debt	230,872
Repayment of long-term debt	<u>(15,651)</u>
 Net cash provided by financing activities	 <u>212,125</u>

<b>NET INCREASE IN CASH</b>	<b>7,640</b>
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Cash and cash equivalents- beginning of year	<u>320,496</u>
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Cash and cash equivalents- end of year	<u><u>\$ 328,136</u></u>
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**Supplementary Information**

Interest paid	<u><u>\$ 11,142</u></u>
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*See accompanying notes to financial statements.*

**O'BRIEN HOUSE  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2009**

	<u>Program Services</u>	<u>MGT &amp; General</u>	<u>Fund- raising</u>	<u>TOTAL</u>
Salaries	\$ 728,265	\$ 223,999	\$ -	\$ 952,264
Food and beverage	144,981	35	-	145,016
Insurance	30,186	82,103	-	112,289
Occupancy	87,521	9,046	-	96,567
Payroll taxes	34,257	41,146	-	75,403
Depreciation	38,713	19,356	-	58,069
Supplies	50,138	6,602	-	56,740
Client assistance	39,427	829	-	40,256
Interest	4,297	34,560	-	38,857
Professional fees	38	37,602	-	37,640
Special events	2,203	-	19,383	21,586
Vehicle	14,139	38	-	14,177
Bad Debt	13,347	-	-	13,347
Telephone	7,422	3,914	-	11,336
Equipment lease & maintenance	1,023	8,992	-	10,015
Drug testing supplies	7,534	88	-	7,622
Professional services	5,762	-	-	5,762
Conferences	3,909	605	-	4,514
Miscellaneous	1,183	3,152	-	4,335
Marketing	3,750	-	-	3,750
Postage	896	2,497	-	3,393
Bank charges	636	2,740	-	3,376
Dues & memberships	230	2,962	-	3,192
Pest control	1,840	494	-	2,334
Mileage	1,471	421	-	1,892
Printing	1,598	-	-	1,598
Emergency preparation	906	539	-	1,445
Travel	960	-	-	960
	\$ <u>1,226,632</u>	\$ <u>481,720</u>	\$ <u>19,383</u>	\$ <u>1,727,735</u>

*See accompanying notes to financial statements.*



**O'BRIEN HOUSE**  
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION**

O'Brien House, Inc. (the "Organization") is a Louisiana non-profit corporation whose mission is to contribute to a sustained reduction in the use and abuse of alcohol and other chemicals proven to be hazardous to human health and detrimental to community well being. The organization was established in August, 1971 and operates at its facility near downtown Baton Rouge.

**BASIS OF ACCOUNTING**

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

**NET ASSETS**

The Organization classifies net assets into four categories: unrestricted, unrestricted but designated, temporarily restricted, and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Unrestricted but designated, represents amounts which were previously restricted. The Board intends to hold these funds for future investments or contingencies. Temporarily restricted net assets become unrestricted and are reported in the statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose.

**SOURCES OF REVENUE**

The organization received federal grants, passed through the State of Louisiana, Parish of East Baton Rouge and City of Baton Rouge for the purpose of providing supportive housing programs. They also received a grant from the Federal Home Loan Bank of Atlanta for the purpose of providing housing.

The Organization is also a participating agency of and receives a portion of its annual funding needs from the Capital Area United Way. Other principal sources of revenues are private grants, annual appeal, special events, donations and client service fees.

**O'BRIEN HOUSE**  
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CONTRIBUTIONS**

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes, are reported as temporarily restricted or permanently restricted support that increases those net asset classes, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**PROMISES TO GIVE**

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**DONATED ASSETS AND SERVICES**

Land, buildings and equipment received as donations are recognized in the accompanying financial statements at their estimated fair market value at the date they are received.

Other donated items, such as food, clothing and imputed interest on zero percent loans, are included in In-Kind contributions and various expenses.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**O'BRIEN HOUSE**  
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CASH AND CASH EQUIVALENTS**

For the purposes of the statement of cash flows, the organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents.

**ACCOUNTS RECEIVABLE**

Accounts receivable are written-off under the direct write-off method whereby bad debts are recorded when a receivable is deemed uncollectible. If they are subsequently collected they are then recorded as miscellaneous income. The direct charge-off method is not a material departure from generally accepted accounting principles as it approximates the valuation method.

**PROPERTY AND EQUIPMENT**

Expenditures for the acquisition of property and equipment are capitalized at cost. The fair value of donated property and equipment is similarly capitalized. Depreciation is provided over the estimated useful lives of the assets, which range from 5 to 40 years, depending on the asset, using the straight-line method. It is reasonably possible that the Organization's estimate of the remaining useful life will change in the future. When the facilities are placed into service the costs are transferred to Buildings. Interest expenditures during the construction phase are capitalized.

**FAIR VALUE**

The carrying value of accounts receivable, accounts payable and notes with a stated interest rate other than zero percent estimates their fair value. Notes receivable and notes payable with stated interest rates of zero percent have been adjusted to their approximate fair value. The fair value is based on the wall street journal prime rate in effect at inception, for the note with scheduled payments. For the notes with no payment schedule, the fair value is based on the wall street journal prime rate in effect during the year.

**INCOME TAX STATUS**

The Organization is exempt from Federal Income Taxes under Section (501)(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. Therefore no income tax expense is included in the accompanying financial statements.

**O'BRIEN HOUSE**  
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted, based on the time spent on each program.

**NOTE 2 - UNINSURED CASH DEPOSITS**

The Organization maintains its cash balances in one financial institution, which are insured by the Federal Deposit Insurance Corporation. At December 31, 2009 the Organization's cash did not exceed the amount of FDIC insurance.

**NOTE 3- FIXED ASSETS**

A summary of fixed assets at December 31, 2009 is as follows:

Buildings	\$1,390,919
Vehicles	73,949
Equipment	66,839
Land	65,000
Furniture	<u>55,288</u>
	1,651,995
Accumulated Depreciation	<u>(288,930)</u>
Net Book Value	<u>\$1,363,065</u>

Depreciation expense for the year ended December 31, 2009 was \$58,069.

**O'BRIEN HOUSE**  
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

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**NOTE 4 - NOTES PAYABLE**

Short-term debt at December 31, 2009 consisted of the following:

Bank line of credit of \$90,000 at the bank's index rate. (4% at December 31, 2009)	\$ 87,237
Bank line of credit of \$50,000 at the bank's index rate (6.65% at December 31, 2009)	35,996
Note payable at 12.5%, payable in monthly installments of \$3.707, secured by unexpired insurance premiums.	<u>21,458</u>
	<u>\$144,691</u>

**NOTE 5 - LONG-TERM DEBT**

Long-term debt at December 31, 2009 consisted of the following:

Notes payable at 8.2 to 9.25% payable in monthly installments totaling \$1,535, secured by three vehicles.	\$ 27,105
Note payable in monthly installments of \$792.	80,379
CDBG loan payable in installments of \$1,738 commencing in January, 2011.	417,000
Home loan payable in monthly installments of \$2,004 commencing in January, 2011.	322,958
CDBG loan payable in quarterly installments of \$2,500 commencing in January, 2019.	<u>100,000</u>
	947,442
Less current maturities	<u>17,332</u>
Long-term portion	<u>\$930,110</u>

**O'BRIEN HOUSE**  
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

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**NOTE 5 - LONG-TERM DEBT (CONTINUED)**

Scheduled principal reductions for the next five years and thereafter are as follows:

2010	\$ 17,332
2011	61,623
2012	52,472
2013	50,430
2014	50,815
Thereafter	<u>714,770</u>
	<u>\$947,442</u>

Interest expense for the year ended December 31, 2009 was \$38,857.

In 2001 a rehabilitation loan with the City of Baton Rouge-Parish of East Baton Rouge was converted into a mortgage loan with payments of \$792 per month. The original face value of the note was \$190,000, with a term of 20 years and a stated interest rate of zero percent (0%). This note is reported in the accompanying financial statements at its fair value of \$80,379, using an imputed rate of 6.75%

From 2007 to 2009, the City-Parish of East Baton Rouge has advanced funds totaling \$839,958 under three separate programs for the construction of facilities. Interest expense of \$23,277 has been imputed on these loans for 2009, since these loans are non interest bearing. The amount of interest expense is offset by an increase in in-kind revenues.

**NOTE 6 - LEASE COMMITMENTS**

The Organization has two leases for office equipment. The leases require a total monthly payment of \$330.

The future minimum lease payments are as follows:

**December 31:**

2010	\$2,760
2011	2,760
2012	<u>1,080</u>
	<u>\$6,600</u>

The Organization also rents equipment on a daily basis as needed.

**O'BRIEN HOUSE**  
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

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**NOTE 7 – RELATED PARTY TRANSACTIONS**

The Organization is the managing member of O'Brien House Management, Inc., which is in turn the managing member of O'Brien House SRO, L.L.C. (the SRO). During prior years, the organization loaned \$900,000 to the SRO for the purpose of constructing residential facilities. The loans were made at zero percent (0%) interest. No repayment is required as long as the facilities are used in compliance with the operating agreement, unless the SRO makes a profit. On December 31, 2022 the Organization shall have the right to purchase the residential facilities for the outstanding balance of the note.

The notes are included in the accompanying financial statements at fair value. The carrying value of the notes includes imputed interest in the amount of \$99,380. Interest income on the statement of activities includes \$37,510 of imputed interest for 2009.

During 2009 the organization received \$60,431 in developer's fees related to the SRO project. These fees are included in revenues in the accompanying financial statements.

**NOTE 8 – ECONOMIC DEPENDENCY**

The Organization receives the majority of its revenues from funds provided through grants administered by the Louisiana Department of Health & Hospitals, East Baton Rouge City-Parish and the Capital Area United Way. The grant amounts are appropriated each year by these entities. If significant budget cuts are made at the federal, state and/or local level, the amount of funds the Organization received could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that are expected to significantly adversely affect the amount of funds the Organization will receive in the next fiscal year.

**NOTE 9 – FEDERAL COMPLIANCE CONTINGENCIES**

The Organization receives a portion of its revenues from government grants and contracts, all of which are subject to audit by the governments. The ultimate determination of amounts received under these programs generally is based upon allowable cost reported to and are subject to audit by the government. Until such audits, if any, there exists a contingency to refund any amount received in excess of allowable cost. Management is of the opinion that no material liability will result from such audits.

**O'BRIEN HOUSE**  
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

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**NOTE 10 – IN KIND CONTRIBUTIONS**

During the year ended December 31, 2009, the Organization received the following non-cash donations of material, services and free use of facilities that have been reflected in the accompanying financial statements in Support and Revenues as in-kind donation. The expense is included in the schedule of Functional Expenses in various categories.

Food and household items	\$ 73,020
Interest on loans	62,649
Clothing	29,783
Books and computers	1,013
Other items	<u>3,229</u>
Total In Kind	<u>\$169,694</u>

**NOTE 11 - SUBSEQUENT EVENTS**

Management of the Organization has evaluated all subsequent events through June 24, 2010, the date the financial statements were available to be issued. No disclosures are considered necessary by management..



# **Latuso and Johnson CPA, LLC**

11929 Bricksome Ave.  
Baton Rouge, LA 70816  
Tel (225) 293.8300  
Fax (225) 293.8303

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARD**

To the Board of Directors of  
O'Brien House  
Baton Rouge, Louisiana

We have audited the financial statements of O'Brien House (a nonprofit organization) as of and for the year ended December 31, 2009, and issued our report thereon dated June 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issue by the Comptroller General of the United States.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered O'Brien House's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the O'Brien House's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether O'Brien House's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings as item 2009 -1.

O'Brien House's response to the finding identified in our audit is described in the accompanying schedule of findings.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties.

*Latuso + Johnson, CPA*

Baton Rouge, Louisiana  
June 24, 2010

# **Latuso and Johnson CPA, LLC**

11929 Bricksome Ave.  
Baton Rouge, LA 70816  
Tel (225) 293.8300  
Fax (225) 293.8303

## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
O'Brien House  
(A Nonprofit Organization)  
Baton Rouge, Louisiana

### **COMPLIANCE**

We have audited the compliance of O'Brien House (A Nonprofit Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. O'Brien House's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of O'Brien House's management. Our responsibility is to express an opinion on O'Brien House's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about O'Brien House's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of O'Brien House's compliance with those requirements.

In our opinion, O'Brien House complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

## INTERNAL CONTROL OVER COMPLIANCE

The management of O'Brien House is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered O'Brien House's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of O'Brien House's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Latuso & Johnson CPA".

Baton Rouge, Louisiana  
June 24, 2010

**O'BRIEN HOUSE**  
**(A Nonprofit Corporation)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

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**SECTION 1 - SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of the O'Brien House.
2. No significant deficiency was disclosed during the audit of the financial statements.
3. One instance of noncompliance which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The auditors' report on compliance for the major federal award programs for O'Brien House expresses an unqualified opinion.
6. No findings required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.

7. The programs tested as major programs included:

Community Planning and Development, Department of Housing and Urban Development

Passed through Louisiana Department Health and Hospitals

Capital Area Health Services District - Supportive Housing Program 14.235

Passed through Louisiana Department of Health and Hospitals

Office of Addictive Disorders - Substance Abuse and Mental Health Services

Access to Recovery 93.275

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. O'Brien House qualified as a low risk auditee.
10. There was no compensation paid to any member of the Board of Directors.
11. A management letter was not issued in conjunction with this engagement.

**O'BRIEN HOUSE**  
**(A Nonprofit Corporation)**

**SCHEDULE OF AUDIT FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

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**SECTION II - PRIOR YEAR FINDINGS**

**2008 - 1 Finding:** The Organization was not in compliance with the reporting requirement of submitting annual financial statements to the Legislative Auditor's office within six months after year end. This was due primarily to scheduling conflicts of the auditor and unforeseen difficulty in obtaining certain verifications from outside parties.

**Response:** The audit reports will be filed timely with the Legislative Auditor's office.

**2008 - 2 Finding:** We noted that the Organization sends invoices to various governmental agencies for services provided. These invoices are often adjusted by the agencies with a lower amount being remitted. The Organization accepts the amounts received without comparing the receipt to the balance outstanding. These differences have been adjusted at the end of the year without any investigation.

**Response:** Management had requested from upper management of the various governmental agencies to be notified whenever the requested amount is reduced.

**SECTION III - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE  
FINANCIAL STATEMENTS**

**2009 - 1 Finding:** As noted in prior year finding 2008 - 2, the Organization does not always collect the full amount of the invoice billed. The Organization does not have sufficient follow-up procedures to assure the correct amounts are being collected.

**Recommendation:** A designated employee should compare the amounts received to the amount billed. When a difference occurs, the appropriate person should be informed and the reasons obtained.

**Response:** As noted in the response from the prior year finding, management had requested from the various governmental entities to be notified of the reasons for any reductions in billings received.

In the upcoming year, management will establish a materiality threshold for these differences. For any amounts over this threshold, management will further follow up with the applicable governmental entity and document the reason for the difference.

**O'BRIEN HOUSE**  
**(A Nonprofit Corporation)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>CFDA</u>	<u>Amount of Federal Expenditures</u>
<b>COMMUNITY PLANNING AND DEVELOPMENT, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
Passed through Louisiana Department Health and Hospitals		
Capital Area Human Services District - Supportive Housing Program	14.235	\$366,826
Capital Area Homeless Alliance - Supportive Housing Program	14.235	105,835
Passed through Parish of East Baton, City of Baton Rouge - Office of Community Development		
Community Development Block Grant - Home Program (loan)	14.239	121,259
Supporting Housing Program - Permanent Housing (loan)	14.235	100,000
Supporting Housing Program - Supportive Housing	14.235	64,570
Passed through Parish of East Baton Rouge, City of Baton Rouge, Office of Mayor President	14.235	17,100
Passed through Louisiana Department of Social Services, Parish of East Baton Rouge, City of Baton Rouge, Office of Community Development - Emergency Shelter Grant	14.231	<u>10,300</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 785,890</u>
<b>SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Passed through Louisiana Department of Health and Hospitals		
Office of Addictive Disorders - Substance Abuse and Mental Health Services - Access to Recovery	93.275	\$ 593,172
Capital Area Human Services District - Block Grant for Prevention and Treatment of Substance Abuse - Strengthening Families	93.959	<u>45,519</u>
		<u>638,691</u>
Total Federal Expenditures		<u>\$1,424,581</u>

**O'BRIEN HOUSE**  
**(A Nonprofit Corporation)**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

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**BASIS OF PRESENTATION**

The above schedule of expenditures of federal awards includes the federal grant activity of O'Brien House (A Nonprofit Organization) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.